

# Hartalega Holdings (HART MK)

## 3QFY26: Stabilising Outlook, But Lack Of Re-rating Catalysts

### Highlights

- Harta's 3QFY26 earnings improved on a gradual volume sales growth and lower costs, but top-line remains under pressure from the weakening MYR/USD rate and oversupply dynamics.
- Internal cost optimisation remains as the group's core focus, with further headcount reduction and efficiency enhancement within production lines.
- Intensifying China competition and oversupply dynamics continue to impact earnings. Maintain HOLD with a higher target price of RM0.92.

### 3QFY26 Results

| Year to 31 Mar (RMm) | 3QFY26 | qoq % chg   | yoy % chg   | Comments                                                                         |
|----------------------|--------|-------------|-------------|----------------------------------------------------------------------------------|
| Revenue              | 527.3  | -2.3        | -28.6       | Down qoq as higher volume sales (+3%) offset by MYR/USD rate (-2%) and ASP (-4%) |
| Operating exp.       | -491.0 | -6.6        | -30.1       | Lower opex after workforce reduction                                             |
| EBITDA               | 70.5   | 9.6         | -8.2        | Improved qoq vs RM64m in 2QFY26                                                  |
| EBIT                 | 29.1   | 23.7        | -21.0       |                                                                                  |
| Finance costs        | -0.2   | 206.6       | -14.3       |                                                                                  |
| PBT                  | 28.9   | 23.1        | -21.1       |                                                                                  |
| Taxation             | -3.1   | -44.6       | -82.1       |                                                                                  |
| Core net profit      | 38.0   | 137.1       | 65.2        | Stronger earnings, slightly above expectations                                   |
|                      |        | qoq ppt chg | yoy ppt chg |                                                                                  |
| EBITDA margin (%)    | 13.4   | 1.4         | 3.0         |                                                                                  |
| Eff. tax rate (%)    | -10.7  | 13.1        | 36.6        |                                                                                  |
| Core Net Margin (%)  | 7.2    | 4.2         | 4.1         | Margin expanded qoq on better efficiency                                         |

Source: Hartalega Holdings, UOB Kay Hian

### Analysis

- Above expectations.** Hartalega Holdings (Harta) registered a 3QFY26 core net profit of RM38m (2QFY26: RM16m), after stripping out exceptional items. 9MFY26 earnings accounted for 79% and 130% of our and consensus full-year estimates respectively.
- Weaker qoq revenue reflects modest volume sales growth which was dragged by softening MYR/USD rate and ASP.** Note that Harta's revenue decreased 29% yoy and 2% qoq in 3QFY26, despite higher volume sales (+3% qoq). This was mainly due to the weakening US dollar against the ringgit (-2% qoq) which caused ASPs in ringgit terms to be lower (-6% qoq). ASPs in US dollar terms also declined 4% qoq to US\$20.47/'000 pieces.

### Key Financials

| Year to 31 Mar (RMm)      | 2024    | 2025    | 2026F   | 2027F   | 2028F   |
|---------------------------|---------|---------|---------|---------|---------|
| Net turnover              | 1,837.6 | 2,585.6 | 2,653.0 | 2,789.1 | 3,084.1 |
| EBITDA                    | (23.4)  | 53.2    | 288.6   | 363.3   | 394.3   |
| Operating profit          | (155.5) | (97.5)  | 118.6   | 191.8   | 221.6   |
| Net profit (rep./act.)    | (188.9) | (72.9)  | 90.0    | 145.6   | 167.1   |
| Net profit (adj.)         | (151.0) | (61.8)  | 90.0    | 145.6   | 167.1   |
| EPS                       | (4.5)   | (1.8)   | 2.7     | 4.3     | 4.9     |
| PE                        | (20.6)  | (50.4)  | 34.6    | 21.4    | 18.6    |
| P/B                       | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     |
| EV/EBITDA                 | (74.6)  | 41.2    | 7.1     | 5.1     | 4.3     |
| Dividend yield            | 0.5     | 12.3    | 1.6     | 2.6     | 3.0     |
| Net margin                | (10.3)  | (2.8)   | 3.4     | 5.2     | 5.4     |
| Net debt/(cash) to equity | (29.3)  | (21.3)  | (24.6)  | (28.3)  | (31.8)  |
| Interest cover            | (3.1)   | 25.8    | 1,219.0 | 1,534.5 | 1,665.4 |
| ROE                       | (5.5)   | (2.2)   | 2.7     | 4.4     | 4.9     |
| Consensus net profit      | n.a     | n.a     | 61.1    | 113.2   | 147.4   |
| UOBKH/Consensus (x)       | n.a     | n.a     | 1.5     | 1.3     | 1.1     |

Source: Hartalega Holdings, Bloomberg, UOB Kay Hian

### HOLD (Maintained)

|              |        |
|--------------|--------|
| Share Price  | RM0.92 |
| Target Price | RM0.92 |
| Upside       | +0%    |
| Previous TP  | RM0.90 |

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### Stock Data

|                                |                        |
|--------------------------------|------------------------|
| GICS Sector                    | Consumer Discretionary |
| Bloomberg ticker               | n.a                    |
| Shares issued (m)              | 3,410.3                |
| Market cap (RMm)               | 3,137.5                |
| Market cap (US\$m)             | 794.9                  |
| 3-mth avg daily t'over (US\$m) | 2.2                    |

### Price Performance (%)

| 52-week high/low |        |        |        | RM3.60/RM0.90 |
|------------------|--------|--------|--------|---------------|
| 1mth             | 3mth   | 6mth   | 1yr    | YTD           |
| (6.1)            | (24.0) | (35.2) | (72.2) | (7.1)         |

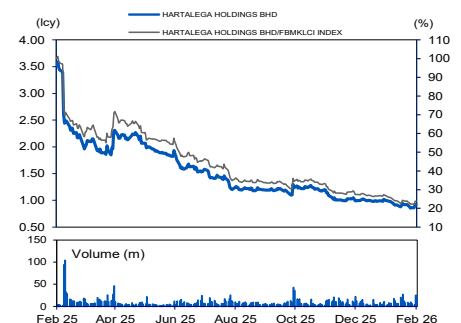
### Major Shareholders

|                              |      |
|------------------------------|------|
| Hartalega Industries Sdn Bhd | 34.4 |
| Budi Tenggara Sdn Bhd        | 8.6  |
| KWAP                         | 6.2  |

### Balance Sheet Metrics

|                          |      |
|--------------------------|------|
| FY26 NAV/Share (RM)      | 1.29 |
| FY26 Net Debt/Share (RM) | 0.32 |

### Price Chart



Source: Bloomberg

### Company Description

Hartalega is the world's leading nitrile glove manufacturer.

- **Operating matrixes mixed, but margins improved on further efficiency enhancement.** In 3QFY26, Harta charted a slightly higher utilisation rate of 70% (2QFY26: 68%) based on an adjusted capacity of around 35b. This mainly reflects better demand as US customers' normalised inventory replenishment offset intensifying competition within the Europe market. Nevertheless, earnings improved as continuous cost rationalisation and efficiency enhancement efforts lifted EBITDA margins to 13.4ppt (+1ppt qoq).

### 3QFY26 Operating Metrics

|                       | 3QFY26 | qoq % chg | yoy % chg | Comments                                     |
|-----------------------|--------|-----------|-----------|----------------------------------------------|
| Gloves (b pcs.)       | 6,170  | 3.2       | -19.1     | Increased qoq on higher orderbook and demand |
| Utilisation rate (%)  | 70%    | 3.4       | -19.0     |                                              |
| Blended ASP (US\$)    | 20.5   | -4.2      | -7.7      | ASPs decreased 4% qoq in US dollar terms     |
| Exchange rate         | 4.15   | -1.7      | -4.8      | US dollar weakened 2% qoq against ringgit    |
| COG/ '000 gloves (RM) | 79.6   | -9.5      | -13.6     | Cost per unit reduced on lower input cost    |

Source: Hartalega Holdings, UOB Kay Hian

- **A muted 4QFY26-1HFY27 as oversupply persists.** For 4QFY26, Harta's overall outlook should improve as US customers' restocking cycle largely normalises, while further production cost reduction lifts margin. Management guided a 1-5% qoq volume sales improvement and flattish ASP of US\$20-21/'000 pcs in 4QFY26-1HFY27. Nevertheless, this may be largely offset by a weakening MYR/USD rate (3.90-3.95) which will result in top-line compression.
- **Further cost rationalisation in motion to achieve optimal efficiency levels.** After completing an earlier downsizing plan to reduce its 8,000 headcount to around 6,000, Harta will set aside RM285m for the coming two years to further automate its production lines to optimise overall efficiency. Hence, margins could marginally recover in FY27 off FY25's low base, coupled with an improvement in utilisation rate on better demand beginning 4QFY26 (Jan-Mar 26). Management intends to lift running capacity from the current 27b pieces annually (after hibernating Plant 3 and 4) to 30b pieces by end-26. This will be done by the full commission of production lines in its Plant 9.
- **Stiff competition from China glovemakers remains as a threat.** Given the severity of the current US tariffs on China-made medical gloves (147% in 2026), China glovemakers have largely reduced their exposure to the US market and re-channelled their sales to regions like Europe and Asia with more competitive price-cutting strategies. This has resulted in more challenging dynamics and declining profitability (lower ASPs and margins) for non-US sales. That said, the reduction in 1H26 sales from the non-US markets for local glovemakers will be buffered by increasing US sales as Malaysia's market share of US medical glove imports may grow to 65-70% (from 25-30% in 2024) following China players' exit.

## Valuation/Recommendation

- **Maintain HOLD with a slightly higher target price of RM0.92**, ascribing 24.0x FY26F PE (-0.5SD below five-year mean).

## Earnings Revision/Risk

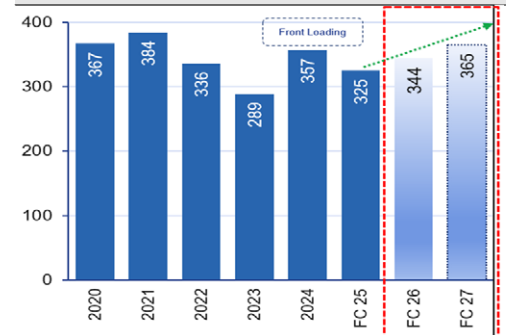
- **We raised our FY26 earnings forecasts by 14%** as we lifted volume sales and margin assumptions following better-than-expected cost efficiency.

### Assumptions

|                    | FY25 | FY26F | FY27F |
|--------------------|------|-------|-------|
| Revenue (RMm)      | 2653 | 2789  | 3084  |
| Growth yoy (%)     | 3%   | 5%    | 11%   |
| ASP growth yoy (%) | 3%   | 2%    | 0%    |
| Volume growth (%)  | 4%   | 6%    | 11%   |
| Profit (RMm)       | 90   | 146   | 167   |
| Growth yoy (%)     | 250% | 62%   | 15%   |
| Profit margin (%)  | 3%   | 5%    | 6%    |

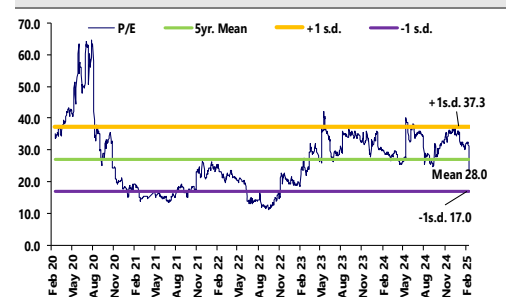
Source: UOB Kay Hian

### Global Gloves Demand (b' pieces)



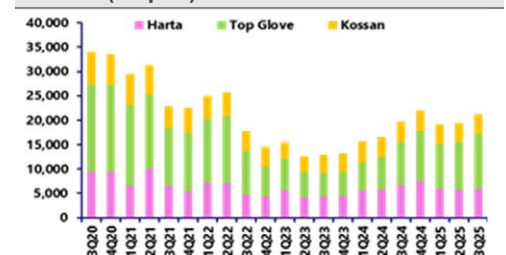
Source: Hartalega, International Trade Center (ITC)

### Five-Year Forward PE Band



Source: Bloomberg

### Malaysian Glove Players' Quarterly Sales Volume (m' pcs)



Source: Respective companies, UOB Kay Hian

## Environmental, Social, Governance (ESG) Updates

### Environmental

- Commits to reducing its carbon footprint with reduction in greenhouse gas (GHG) emission intensity by 2026.

### Social

- Social compliance policy is in accordance with local and international standards including the International Labour Organisation's (ILO) 11 indicators of Forced Labour.

### Governance

- Five board members are independent directors, amounting to 63% of the board members.

### Profit & Loss

| Year to 31 Mar (RMm)             | 2025         | 2026F        | 2027F        | 2028F        |
|----------------------------------|--------------|--------------|--------------|--------------|
| <b>Net turnover</b>              | <b>2,586</b> | <b>2,653</b> | <b>2,789</b> | <b>3,084</b> |
| EBITDA                           | 53           | 289          | 363          | 394          |
| Deprec. & amort.                 | 151          | 170          | 171          | 173          |
| EBIT                             | (97)         | 119          | 192          | 222          |
| Total other non-operating income | 0            | 0            | 0            | 0            |
| Associate contributions          | 0            | 0            | 0            | 0            |
| Net interest income/(expense)    | (2)          | 0            | 0            | 0            |
| <b>Pre-tax profit</b>            | <b>(100)</b> | <b>118</b>   | <b>191</b>   | <b>221</b>   |
| Tax                              | 26           | (28)         | (46)         | (54)         |
| Minorities                       | 0            | 0            | 0            | 0            |
| <b>Net profit</b>                | <b>(73)</b>  | <b>90</b>    | <b>146</b>   | <b>167</b>   |
| Net profit (adj.)                | (62)         | 90           | 146          | 167          |

### Balance Sheet

| Year to 31 Mar (RMm)                  | 2025         | 2026F        | 2027F        | 2028F        |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Fixed assets                          | 2,573        | 2,247        | 1,964        | 2,247        |
| Other LT assets                       | 443          | 617          | 480          | 454          |
| Cash/ST investment                    | 923          | 1,076        | 1,256        | 1,437        |
| Other current assets                  | 801          | 877          | 907          | 986          |
| <b>Total assets</b>                   | <b>4,740</b> | <b>4,817</b> | <b>4,890</b> | <b>5,125</b> |
| ST debt                               | 4            | 4            | 4            | 4            |
| Other current liabilities             | 236          | 272          | 279          | 438          |
| LT debt                               | 0            | 0            | 0            | 0            |
| Other LT liabilities                  | 181          | 181          | 181          | 181          |
| Shareholders' equity                  | 4,322        | 4,363        | 4,428        | 4,504        |
| Minority interest                     | (3)          | (3)          | (3)          | (3)          |
| <b>Total liabilities &amp; equity</b> | <b>4,740</b> | <b>4,817</b> | <b>4,890</b> | <b>5,125</b> |

### Cash Flow

| Year to 31 Mar (RMm)                        | 2025         | 2026F        | 2027F        | 2028F        |
|---------------------------------------------|--------------|--------------|--------------|--------------|
| <b>Operating</b>                            | <b>114</b>   | <b>229</b>   | <b>295</b>   | <b>291</b>   |
| Pre-tax profit                              | 48           | 118          | 191          | 221          |
| Tax                                         | (14)         | (28)         | (46)         | (54)         |
| Deprec. & amort.                            | 151          | 170          | 171          | 173          |
| Associates                                  | 0            | 0            | 0            | 0            |
| Working capital changes                     | (49)         | (31)         | (23)         | (49)         |
| Non-cash items                              | (24)         | 0            | 0            | 0            |
| Other operating cashflows                   | 2            | 0            | 0            | 0            |
| <b>Investing</b>                            | <b>(140)</b> | <b>(26)</b>  | <b>(35)</b>  | <b>(18)</b>  |
| Capex (growth)                              | (36)         | (26)         | (35)         | (18)         |
| Proceeds from sale of assets                | (159)        | 0            | 0            | 0            |
| Others                                      | 55           | 0            | 0            | 0            |
| <b>Financing</b>                            | <b>(466)</b> | <b>(50)</b>  | <b>(80)</b>  | <b>(92)</b>  |
| Dividend payments                           | (401)        | (49)         | (80)         | (92)         |
| Proceeds from borrowings                    | (63)         | 0            | 0            | 0            |
| Loan repayment                              | (60)         | 0            | 0            | 0            |
| Others/interest paid                        | 58           | 0            | 0            | 0            |
| <b>Net cash inflow (outflow)</b>            | <b>(492)</b> | <b>153</b>   | <b>179</b>   | <b>181</b>   |
| <b>Beginning cash &amp; cash equivalent</b> | <b>1,427</b> | <b>923</b>   | <b>1,076</b> | <b>1,256</b> |
| Changes due to forex impact                 | (12)         | 0            | 0            | 0            |
| <b>Ending cash &amp; cash equivalent</b>    | <b>923</b>   | <b>1,076</b> | <b>1,256</b> | <b>1,437</b> |

### Key Metrics

| Year to 31 Mar (%)        | 2025    | 2026F   | 2027F   | 2028F   |
|---------------------------|---------|---------|---------|---------|
| <b>Profitability</b>      |         |         |         |         |
| EBITDA margin             | 2.1     | 10.9    | 13.0    | 12.8    |
| Pre-tax margin            | (3.8)   | 4.5     | 6.9     | 7.2     |
| Net margin                | (2.8)   | 3.4     | 5.2     | 5.4     |
| ROA                       | (1.9)   | 2.3     | 3.8     | 4.1     |
| ROE                       | (2.2)   | 2.7     | 4.4     | 4.9     |
| <b>Growth</b>             |         |         |         |         |
| Turnover                  | (8.5)   | (6.2)   | (1.4)   | 9.1     |
| EBITDA                    | (91.8)  | (55.7)  | (44.3)  | (39.5)  |
| Pre-tax profit            | (118.1) | (78.5)  | (65.2)  | (59.8)  |
| Net profit                | (116.0) | (80.2)  | (68.0)  | (63.3)  |
| EPS                       | (113.1) | (81.0)  | (69.2)  | (64.7)  |
| <b>Leverage</b>           |         |         |         |         |
| Debt to total capital     | 0.1     | 0.1     | 0.1     | 0.1     |
| Debt to equity            | 0.1     | 0.1     | 0.1     | 0.1     |
| Net debt/(cash) to equity | (21.3)  | (24.6)  | (28.3)  | (31.8)  |
| Interest cover            | 25.8    | 1,219.0 | 1,534.5 | 1,665.4 |

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